

Grosse Pointes-Clinton Refuse Disposal Authority

**Financial Report
with Additional Information
June 30, 2003**

Grosse Pointes-Clinton Refuse Disposal Authority

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Independent Auditor's Report

To the Board of Directors
Grosse Pointes-Clinton Refuse
Disposal Authority

We have audited the accompanying balance sheet of the Grosse Pointes-Clinton Refuse Disposal Authority as of June 30, 2003 and 2002 and the related statements of revenue, expenses, and changes in retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Grosse Pointes-Clinton Refuse Disposal Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Grosse Pointes-Clinton Refuse Disposal Authority as of June 30, 2003 and 2002 and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Plante & Moran, PLLC

September 26, 2003

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Grosse Pointes-Clinton Refuse Disposal Authority

Balance Sheet

	June 30	
	2003	2002
Assets		
Current Assets		
Cash (Note 2)	\$ 141,846	\$ 260,785
Accounts receivable	428,437	633,337
Land contract receivable - Current portion (Note 4)	565,129	-
Other current assets	<u>3,304</u>	<u>3,375</u>
Total current assets	1,138,716	897,497
Other Assets		
Land held for future development (Note 4)	-	794,454
Land contract receivable - Net of current portion (Note 4)	<u>1,274,871</u>	<u>-</u>
Total other assets	<u>1,274,871</u>	<u>794,454</u>
Total assets	<u>\$ 2,413,587</u>	<u>\$ 1,691,951</u>
Liabilities and Retained Earnings		
Current Liabilities - Accounts payable	\$ 229,238	\$ 917,082
Retained Earnings - Unreserved	<u>2,184,349</u>	<u>774,869</u>
Total liabilities and retained earnings	<u>\$ 2,413,587</u>	<u>\$ 1,691,951</u>

Grosse Pointes-Clinton Refuse Disposal Authority

Statement of Revenue, Expenses, and Changes in Retained Earnings

	Year Ended June 30	
	2003	2002
Operating Revenue		
Billings from constituent municipalities	\$ 2,690,459	\$ 3,849,751
Other	-	26,680
Total operating revenue	2,690,459	3,876,431
Operating Expenses		
Salaries, wages, and severance	-	53,458
Fringe benefits	25,565	51,742
Operating and maintenance supplies	-	2,442
Utilities	2,760	13,785
Refuse disposal	2,590,550	2,866,119
General insurance	24,415	43,513
Professional services	88,547	227,710
Repairs and maintenance expenses	11,655	22,022
Other	4,263	17,391
Total operating expenses	2,747,755	3,298,182
Operating Income (Loss)	(57,296)	578,249
Nonoperating Revenue (Expense)		
Interest on investments	1,230	2,383
Demolition of plant	-	(631,465)
Gain on sale of assets (Note 4)	1,465,546	17,776
Total nonoperating revenue (expense)	1,466,776	(611,306)
Net Income (Loss)	1,409,480	(33,057)
Retained Earnings - Beginning of year	774,869	807,926
Retained Earnings - End of year	<u>\$ 2,184,349</u>	<u>\$ 774,869</u>

Grosse Pointes-Clinton Refuse Disposal Authority

Statement of Cash Flows

	Year Ended June 30	
	2003	2002
Cash Flows from Operating Activities		
Operating income (loss)	\$ (57,296)	\$ 578,249
Adjustments to reconcile operating income (loss) to net cash from operating activities:		
Changes in assets and liabilities:		
Decrease in accounts receivable	204,900	35,303
Decrease in other current assets	71	15,485
(Increase) decrease in accounts payable and accrued liabilities	(687,844)	211,636
Decrease in other liabilities	-	(37,056)
Net cash provided by (used in) operating activities	(540,169)	803,617
Cash Flows from Investing Activities - Interest received	1,230	2,383
Cash Flows from Capital and Related Financing Activities		
Proceeds from sale of assets	420,000	17,776
Payment for demolition of plant	-	(631,465)
Net cash provided by (used in) capital and related financing activities	420,000	(613,689)
Net Increase (Decrease) in Cash	(118,939)	192,311
Cash - Beginning of year	260,785	68,474
Cash - End of year	<u>\$ 141,846</u>	<u>\$ 260,785</u>

Noncash Investing and Financing Activities - During the year ended June 30, 2003, the Authority entered into a land contract totaling \$1,840,0900 related to the sale of land.

Grosse Pointes-Clinton Refuse Disposal Authority

Notes to Financial Statements June 30, 2003 and 2002

Note 1 - Summary of Significant Accounting Policies

The Grosse Pointes-Clinton Refuse Disposal Authority (the "Authority") was organized, under provisions of Act 179 of the Public Acts of Michigan of 1947, on August 16, 1962 by action of the city councils of the Cities of Grosse Pointe Farms, Grosse Pointe Park, and Grosse Pointe and the township board of Clinton Township for the purpose of disposing refuse. The Authority was later expanded to include the Village of Grosse Pointe Shores, and the Cities of Mount Clemens, Grosse Pointe Woods, and Harper Woods. Each constituent municipality has one director on the Board of Directors, with the exception of Clinton Township, which has two. The Authority currently operates under a 15-year agreement, expiring March 2014, with a disposal company, whereby the disposal company disposes of the refuse for the eight member communities and bills the Authority. The Authority bills each community for their share of the disposal costs plus a \$1 per ton administrative fee.

Basis of Accounting

The accounting policies of the Authority conform to generally accepted accounting principles as applicable to enterprise funds of governmental units and, accordingly, the accrual basis of accounting is followed. The Authority has elected not to apply private sector accounting standards issued after November 30, 1989.

Landfill Closure Costs - The Authority does not own or operate a municipal solid waste landfill and, therefore, has no liability for closure and postclosure care costs.

Note 2 - Cash

The Authority's cash balance is composed of the following:

	2003	2002
Deposits with financial institutions	\$ 141,846	\$ 260,585
Petty cash and cash on hand	-	200
Total	<u>\$ 141,846</u>	<u>\$ 260,785</u>

Deposits

The above deposits were reflected in the accounts of the bank (without recognition of checks written but not yet cleared or of deposits in transit) at \$780,099 and \$271,408 at June 30, 2003 and 2002, respectively. Of those amounts, \$100,000 was covered by federal depository insurance, and the remainder was uninsured and uncollateralized.

Grosse Pointes-Clinton Refuse Disposal Authority

Notes to Financial Statements June 30, 2003 and 2002

Note 2 - Cash (Continued)

The Authority believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the Authority evaluates each financial institution with which it deposits Authority funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Note 3 - Retirement System

As of February 28, 2002, the Authority no longer retained employees.

Plan Description

The Authority contributed to the Michigan Municipal Employees' Retirement System (MMERS), an agent multiple-employer defined benefit pension plan, that covered all employees of the Authority. The MMERS provides retirement, disability, and death benefits to plan members and their beneficiaries. The MMERS issues a publicly available financial report that includes financial statements and required supplementary information for the MMERS. That report may be obtained by writing to the MMERS at 1134 Municipal Way, Lansing, Michigan 48917.

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by negotiation with the Authority's competitive bargaining unit and required a contribution from the employees of 6 percent.

Annual Pension Cost

For the fiscal year ended June 30, 2003, the Authority's annual pension cost was equal to the Authority's required and actual contribution, all of which was zero. The annual required contribution was determined as part of an actuarial valuation at December 31, 2001, using the entry actual age cost method. Significant actuarial assumptions used include (a) an 8 percent investment rate of return (4.5 percent due to inflation), (b) projected salary increases of 4.5 percent per year, compounded annually, attributable to inflation, (c) additional projected salary increases ranging from 0 percent to 4.16 percent per year attributable to seniority/merit, and (d) the assumption that benefits will increase 2.5 percent per year (annually) after retirement. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. Normally, the unfunded actuarial liability is amortized as a level percentage of payroll on a closed basis; however, since the plan is overfunded, this has not been necessary.

Grosse Pointes-Clinton Refuse Disposal Authority

Notes to Financial Statements June 30, 2003 and 2002

Note 3 - Retirement System (Continued)

Three-year Trend Information

	Fiscal Year Ended June 30		
	2003	2002	2001
Annual pension cost (APC)	\$ -	\$ -	\$ -
Percentage of APC contributed	100%	100%	100%
Net pension obligation	\$ -	\$ -	\$ -
	Valuation Year Ended December 31		
	2002	2001	2000
Actuarial value of assets	\$ 3,627,863	\$ 3,644,316	\$ 3,447,464
Actuarial Accrued Liability (AAL)			
(entry age)	\$ 2,294,897	\$ 1,898,861	\$ 1,844,167
Overfunded AAL	\$ 1,332,966	\$ 1,745,455	\$ 1,603,297
Funded ratio	158%	192%	187%
Covered payroll	\$ -	\$ 107,523	\$ 108,368
UAAL as a percentage of covered payroll	- %	- %	- %

Note 4 - Land Held for Future Development

In the 1990 fiscal year, the Authority entered into a purchase option agreement to acquire 103 acres in Lenox Township, Michigan at a cost of approximately \$800,000, with an additional \$6,200,000 to be paid contingent upon the Authority's obtaining licenses, permits, and approvals to use the site for the purpose of disposing of incinerator ash. During the year ended June 30, 1992, the purchase of the land was consummated. The Authority was not able to obtain the governmental and regulatory site use licenses, permits, and approvals.

In accordance with the purchase option agreement, the Authority provided written notice to the seller in December 1997 of their right to exercise their option within 18 months to repurchase the land from the Authority for the original purchase price of approximately \$800,000, plus interest and expenses through December 1997. If the seller did not select this option within 18 months of written notification from the Authority, the land would remain the Authority's asset.

Grosse Pointes-Clinton Refuse Disposal Authority

Notes to Financial Statements June 30, 2003 and 2002

Note 4 - Land Held for Future Development (Continued)

During the current year, the Authority sold the land for \$2,340,000, before payment of \$80,000 of selling expenses. As part of the sale agreement, the Authority entered into a land contract agreement totaling \$1,840,000, with interest at 8.0 percent and monthly payments of \$62,673 to be collected over the next 3 years.

Note 5 - Contingencies

The Authority recognizes liabilities for environmental remediation costs when such obligations are probable and reasonably estimable. As of June 30, 2003, the Authority is not aware of any environmental contamination.

Additional Information



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To the Board of Directors
Grosse Pointes-Clinton Refuse
Disposal Authority

We have audited the financial statements of the Grosse Pointes-Clinton Refuse Disposal Authority as of June 30, 2003. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The additional information listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. This information has been subjected to the procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Plante & Moran, PLLC

September 26, 2003



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Grosse Pointes-Clinton Refuse Disposal Authority

Statement of Operating Revenue and Expenses Budget and Actual Year Ended June 30, 2003

	Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenue			
Billings from constituent municipalities	\$ 3,050,900	\$ 2,690,459	\$ (360,441)
Other	10,000	-	(10,000)
Total operating revenue	<u>\$ 3,060,900</u>	<u>\$ 2,690,459</u>	<u>\$ (370,441)</u>
Operating Expenses			
Fringe benefits	\$ 30,000	\$ 25,565	\$ 4,435
Utilities	1,500	2,760	(1,260)
Refuse disposal	2,843,000	2,590,550	252,450
Maintenance - Building and grounds	10,000	810	9,190
Office rental	17,400	10,845	6,555
Office supplies	4,000	4,263	(263)
General insurance	20,000	24,415	(4,415)
Demolition	-	(9,000)	9,000
Engineering	50,000	606	49,394
Professional services	85,000	96,941	(11,941)
Total operating expenses	<u>\$ 3,060,900</u>	<u>\$ 2,747,755</u>	<u>\$ 313,145</u>